accumulation of savings, which was used by financial institutions and individuals not only to finance domestic capital needs, but also to avail themselves of opportunities for profitable investment abroad. The prolonged and extravagant "bull" market in the New York and other United States' stock exchanges culminating in the early summer of 1929 and the high interest rates prevailing in those markets attracted enormous sums to the United States from other countries, including Canada. Thus from 1923 to 1928 we had on balance an export of capital to our credit, though at the same time other countries, particularly the United States, continued to invest large sums in the Dominion. The years 1929 and 1930 appear to have shown a reversal of the net outward capital movement which was characteristic of Canadian international transactions for the previous few years.

In 1930, as in 1929, our international accounts appear to have been brought into balance by an inflow of capital arising from loans floated abroad or by the investments of other countries in Canadian enterprises. In 1929 the difference between the debit and credit items of the national balance sheet amounted to $65 millions and in 1930, $160 millions. Among the international transactions of 1930 (consisting of visible and invisible items) shown in the balance sheet, the chief credit item was tourist traffic showing a favourable balance of $166 millions. Commodity trade revealed a debit balance of roughly $100 millions, gold movement $14 millions, freight payments $32 millions and interest payments $184 millions. Comparison of data for 1929 and 1930, item by item, throws a clear light on the great changes wrought in Canada's international transactions in goods and services by the world depression which began at the end of 1929, and by the difficulties involved in the marketing of wheat. Merchandise exports fell 28·6 p.c. from $1,200 millions in 1929 to $905 millions in 1930. Though the wheat situation partly explained this drop, it was also largely accounted for by lower general price levels in 1930 as compared with 1929. In fact, at 1929 prices, volume of exports declined by only 13·3 p.c. A good illustration of the difficulties presented to Canada by the slump in world prices is provided by the table in the Prices Chapter showing index numbers of export and import valuations. This shows that Canada experienced a much greater reduction in the prices of her export commodities than the compensating decline in the price of goods which are normally imported, the index number of exports dropping from 147·0 in 1926 and 136·9 in 1929 to 117·2 in 1930, while the index number for imports dropped only from 131·7 in 1926 and 122·9 in 1929 to 115·1 in 1930.

Tourist traffic, though showing a large credit balance, was $22 millions below that of 1929. Interest payments, due to increased foreign investment in Canada, were higher by $13 millions. Freight payments were less unfavourable by $13 millions because of disproportionate reduction of imports. Earnings of Canadians who work in the United States declined by $10 millions. Finally, the international gold movement showed a reversal of $61 millions, a net export of $47 millions in 1929 becoming a net import of $14 millions in 1930. This latter movement is partly accounted for by the repatriation of short term funds from New York which is known to have taken place in large amounts after the market crash had been followed by a reduction in call loan rates. In conclusion it may be said that during the last two years Canada's transition from a favourable to an unfavourable balance in the international exchange of goods and services appears to have been considerably smoothed by the repatriation of short term investments abroad and the continued inflow of foreign investments.